

would help clear the dealer backlog and immediately put people to work. It also would allow taxpayers to get great bargains on new vehicles.

Some have suggested that Chapter 11 is the only viable option for the Big Three. But it would create an economic avalanche in which dozens, if not hundreds, of suppliers and dealers would be forced into bankruptcy. No institution other than the federal government is now able to provide the billions of dollars necessary for the industry to operate during reorganization. And at the very moment that these auto giants need to act quickly and be flexible, they would be constrained by a federal judge and trustees to get approval for even the most basic decisions. Those who advocate bankruptcy need only look at the cumbersome and costly Delphi experience, which is now in its fourth year.

But rescuing the American auto industry will require more than vast sums of public monies. Basic policy changes in trade and tax laws are essential. One of the most difficult, but unavoidable, challenges will be to end the Value Added Tax discrimination faced by the Big Three in both their domestic and foreign markets. Soon after World War II ended, U.S. trade negotiators agreed to allow the rebate of Value Added Taxes on their exports and the imposition of VAT equivalents on their imports of U.S. goods and services. Europe was rebuilt decades ago, but 153 nations now have a VAT, and its average rate is 15.5 percent. Japan has a 5 percent VAT, China's is 17 percent, Germany's is 19 percent, and France imposes 19.6 percent. The economic consequences to the Big Three and other U.S.-based manufacturers have been devastating.

When a German automaker exports a vehicle into the U.S. that costs \$50,000, for instance, it receives from the German government a 19 percent VAT export rebate, worth about \$9,500. But when one of the Big Three exports a \$50,000 vehicle to Germany, it must pay the German government a 19 percent, \$9,500 VAT-equivalent tax at the dock. Thus the Big Three products are price disadvantaged in both markets. Moreover, these discriminatory VAT rules provide a powerful incentive to outsource production from the United States. In the Tokyo, Uruguay, and Doha trade negotiations, the U.S. Congress instructed American trade negotiators to eliminate this tax disadvantage, but other governments refused to discuss the issue.

In addition to pressing for the adoption of new global trade rules to end VAT discrimination against U.S. manufacturers, the incoming administration should focus on eliminating the many protectionist national tariff and non-tariff trade barriers crippling the Big Three. India, for example, imposes a 100 percent tariff on imported U.S. vehicles. China's tariff rate is 25 percent. Korea has long-run national anti-import campaigns that include targeting for tax audits anyone who buys a foreign car. Unless foreign economic protectionism is confronted immediately and at the highest levels of the U.S. government, the American auto industry cannot survive.

Three other principles are essential to the rescue. First, taxpayers should receive substantial equity in these ventures, plus long-term warrants, whose purchase price is set at today's stock values. After all, we are taking the risk. When any public loans are repaid, the terms and conditions should require a sale of those stocks, hopefully at a substantial public profit. Taxpayers made almost a 30 percent profit on the Chrysler loans three decades ago.

Second, demands for a reduction in worker pay should be eschewed. The UAW and its members have already made massive wage

and benefit concessions in recent negotiations. Delphi is only one example. Almost a century ago, Henry Ford paid his workers a then unheard of \$5 per day so they could buy the products they were making, and the auto industry led the way in creating an American middle class. This rescue should not undermine broader efforts to provide secure jobs and benefits, nor should it allow the pitting of well-paid American workers against the penny-wage labor of other countries.

Without question, the UAW has often been smug, arrogant, and inflexible. But rather than punishing it by requiring reduction in its members' pay, we should expect the union to contribute to the rescue. It should enter into a no-strike agreement until the federal loans are paid and invest its \$1 billion "rainy day" reserve, commonly called its "strike fund," in the preferred stock of the Big Three until the loans are satisfied. The rainy day has come, and if taxpayers are putting up money to save UAW jobs, so should the union.

While U.S. antitrust laws allowed the UAW to target one company at a time, those same laws prevented the Big Three from negotiating together on an industry-wide contract. Any rescue should permit the Big Three and UAW to negotiate an industry wage and benefit package.

Third, executive pay at the Big Three should be capped at some simple multiple of the average annual pay of Big Three workers, such as 10 or 15 to 1, with any bonuses being provided in corporate stock, at least until any federal loans are paid off. Also, the Big Three executive pension funds should be required to have at least a majority of its capital invested in Big Three stock. The goal, of course, is to create a common incentive for labor and management to work together.

As of mid-November 2008, the U.S. Treasury and the Federal Reserve had advanced \$2 trillion to salvage the financial wreck created by Wall Street. In late November, the FDIC announced that it was ready to loan another \$1.4 trillion to stabilize the banks. The Bush administration and Congress seem to have no limits to their concern about Wall Street.

The Big Three automakers, their suppliers, and dealers are on Main Street. They employ millions of workers and provide essential goods for American consumers. If the Big Three fail, an economic tsunami will quickly roll across the United States, destroying jobs, incomes, and national confidence at historic levels. The challenges faced by the new administration at that point would be similar not to those faced by Franklin Roosevelt, but to those that confronted Herbert Hoover in the first years of the Great Depression.

In this instance, what is good for General Motors is good for America.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Louisiana (Mr. CASSIDY) is recognized for 5 minutes.

(Mr. CASSIDY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. BACA) is recognized for 5 minutes.

(Mr. BACA addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentle-

woman from Florida (Ms. ROS-LEHTINEN) is recognized for 5 minutes. (Ms. ROS-LEHTINEN addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. SHERMAN) is recognized for 5 minutes.

(Mr. SHERMAN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kansas (Mr. MORAN) is recognized for 5 minutes.

(Mr. MORAN of Kansas addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arizona (Mr. FLAKE) is recognized for 5 minutes.

(Mr. FLAKE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. SMITH) is recognized for 5 minutes.

(Mr. SMITH of New Jersey addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

#### THE ECONOMIC SITUATION WE NOW FACE

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 2009, the gentleman from Missouri (Mr. AKIN) is recognized for 60 minutes as the designee of the minority leader.

Mr. AKIN. Mr. Speaker, I come here this evening to the floor to talk about a subject that is arresting the attention of Americans everywhere. It arrests their attention because it very much involves their futures, their future hopes, and the hopes of their children and grandchildren: that is, the economics and the economic situation that we now face.

Over the past, we have, over the past 6 and 7 years, heard repeatedly in our media the tremendous cost, particularly of the war in Iraq. We were told every day not only of people that were dying there but also of how it's just draining and siphoning money from the American economy.

And so, we come today in a curious situation. If you were to add all of the money that was spent in Iraq in the war there, add it all up for 6 years, and then take the money that was spent in the war in Afghanistan, add it up for 7 years, and you put those two sums of money together, you would come up with less money than this U.S. Congress spent in the first 5 weeks that we